



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
CALIFORNIA TRANSPORTATION COMMISSION
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-999.09**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

999.09

FINANCIAL AUDIT REPORT
CALIFORNIA TRANSPORTATION COMMISSION
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

October 17, 1980

999.09

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the
Auditor General's financial audit report of the California
Transportation Commission, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas;
Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	3
GENERAL PURPOSE FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET	
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP	4
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN OPERATING CLEARING - BUDGET AND ACTUAL	
SPECIAL REVENUE FUND	5
NOTES TO THE FINANCIAL STATEMENTS	6
SUPPLEMENTAL INFORMATION	9
OTHER COMMENTS	11

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the California Transportation Commission. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

Part 5.3 (commencing with Section 14500), Division 3, Title 2 of the Government Code gives the California Transportation Commission the responsibility of guiding and advising on an integrated and comprehensive policy and implementation approach to transportation programs within the State. Under Sections 13990, 14007 of the Government Code, Section 21215 of the Public Utilities Code and Section 30050 of the Streets and Highways Code, the Transportation Commission assumed many of the powers and functions of the Transportation Board, the Highway Commission, the Aeronautics Board, and the Toll Bridge Authority.

In addition, the commission is responsible for (1) adopting an annual five-year transportation improvement program, (2) adopting and issuing to the regional transportation planning agencies and county transportation

commissions one-year and five-year available transportation revenues for programming requirements, and (3) preparing for the Legislature an independent evaluation of the Department of Transportation's proposed budget.

The programs of the California Transportation Commission are supported by retail sales and use taxes, and transfers from both the State Highway Account and the Aeronautics Account in the State Transportation Fund.


AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the California Transportation Commission as of June 30, 1979 and the related statement of revenues, expenditures, and changes in operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the California Transportation Commission at June 30, 1979 and the results of operations and changes in operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.


WESLEY E. VOSS
Assistant Auditor General

Date: March 6, 1980

Staff: Curt Davis, CPA
Romero Zamora
Gus Demas
Geraldine Parks
Teri Yee
Michael Tritz
Charles Thrasher

CALIFORNIA TRANSPORTATION COMMISSION
 COMBINED BALANCE SHEET
 GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP

JUNE 30, 1979

	Governmental Fund Type	Account Group	Totals (Memorandum Only)
<u>ASSETS</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	<u>June 30, 1979</u>
Cash	\$ 45	\$ --	\$ 45
Accounts receivable	37	--	37
Expense advances to employees	350	--	350
Equipment	<u>--</u>	<u>7,636</u>	<u>7,636</u>
Total Assets	<u>\$ 432</u>	<u>\$7,636</u>	<u>\$ 8,068</u>
 <u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	<u>\$ 52,937</u>	<u>\$ --</u>	<u>\$ 52,937</u>
Encumbrances Outstanding	<u>119,025</u>	<u>--</u>	<u>119,025</u>
Fund Equity:			
Investment in general fixed assets	<u>--</u>	<u>7,636</u>	<u>7,636</u>
Operating clearing (Note 4)	<u>(171,530)</u>	<u>--</u>	<u>(171,530)</u>
Total Fund Equity	<u>(171,530)</u>	<u>7,636</u>	<u>(163,894)</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 432</u>	<u>\$7,636</u>	<u>\$ 8,068</u>

The notes to the financial statements are an integral part of this statement.

CALIFORNIA TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance</u>
Revenues and Other			
Financing Sources: (Note 2)			
Revenues	\$ --	\$ 41	\$ 41
Support appropriations	749,064	482,900	(266,164)
Miscellaneous adjustments (Note 3)	<u> --</u>	<u> 6,771</u>	<u> 6,771</u>
Total Revenues and Other Financing Sources	<u> 749,064</u>	<u> 489,712</u>	<u> (259,352)</u>
Expenditures: (Note 2)			
Support expenditures	<u> 749,064</u>	<u> 574,276</u>	<u> 174,788</u>
Total Expenditures	<u> 749,064</u>	<u> 574,276</u>	<u> 174,788</u>
Excess of Financing Sources over (under) Expenditures	<u> \$ --</u>	(84,564)	<u> \$ (84,564)</u>
Other Uses:			
Intrafund transfers (Note 4)		<u> (41)</u>	
Excess of Sources over (under) Expenditures and Other Uses		(84,605)	
Operating Clearing - July 1		<u> (86,925)</u>	
Operating Clearing - June 30		<u> \$(171,530)</u>	

The notes to the financial statements are an integral part of this statement.

CALIFORNIA TRANSPORTATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the California Transportation Commission. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type and an Account Group. The California Transportation Commission accounts for only its portion of the fund type category. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The Governmental Fund Type for the California Transportation Commission is the Special Revenue Fund--specifically the Transportation Fund.

The Transportation Fund, which transfers transportation revenues through the State's accounting system, is divided into individual accounts. Each account is treated as if it were a separate fund due to constitutional and statutory provisions requiring separate identification of various revenues. The commission uses the Transportation Planning and Research account which accounts for (1) monies collected from retail sales and use taxes, (2) transfers from the State Highway account and Aeronautics account in the State Transportation Fund, and (3) receipts from the Federal Government to provide for transportation planning and research in the State for both statewide and local projects.

The Special Revenue Fund is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income, including revenues and transfers, is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the commission are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the commission and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$26,636.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$1,435 during the fiscal year.

2. BUDGETED REVENUES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for revenues and expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

3. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

4. OPERATING CLEARING AND INTRAFUND TRANSFERS

This account is the connecting link between the records of the various state agencies and the central fund accounts maintained by the State Controller for funds not accounted for entirely by one agency. The balance at June 30 represents the net assets and liabilities for which the California Transportation Commission is accountable.

Intrafund transfers are cash receipts representing revenues which the commission remitted to the State Treasury during the year.

SUPPLEMENTAL INFORMATION

The annual legislative budget for support expenditures of the California Transportation Commission is in total only. The following schedule shows the actual expenditures for the period as kept by the commission for management purposes.

CALIFORNIA TRANSPORTATION COMMISSION

SCHEDULE OF SUPPORT EXPENDITURES
SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Personal Services	\$238,555
Operating Expenses and Equipment	<u>335,721</u>
Total Support Expenditures	<u>\$574,276</u>

OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the commission and at the Department of General Services (which maintains the commission's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the commission's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the commission in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The commission generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps